Analyzing the Effectiveness of Customer Retention Strategies with Existing Customers in Banking Industry

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ABSTRACT

The rationale of this study is to find out the effectiveness of customer retention strategies from the perspective of the existing customers of a bank in Dehradun (India). The literature suggests that the retention is influenced by four levels namely financial bonds, social bonds, structural bonds and customization bonds along with some additional variables. The questionnaire survey was responded by 108 existing customers of a leading private sector bank. Chi-square test revealed that the effectiveness of retention strategies is independent of demographic variables except education. The factor analysis indicated the grouping of the seventeen variables into three factors namely: Value added services, convenience and business development. Finally, a multiple regression analysis revealed that the factors extracted in factor analysis are significant in determining the effectiveness of customer retention strategies.

Keywords: Banking Industry, Customer Relationship Marketing, Customer Retention, Electronic Commerce, Relationship Marketing

INTRODUCTION

Berry and Parasuraman (1991) defined relationship marketing as a process of attracting, maintaining and enhancing relationships with customers. It benefits the customers as well as the organizations. Customers can reduce their time and search costs and avoid anxiety by selecting services from a known supplier. Organizations can also save on the time and effort involved in attracting new customers.

Relationship marketing is not a new concept but still is of great importance as the competition is increasing day by day. It has been defined by different authors as - Relationship marketing is attracting, maintaining and – in multiservice organizations-enhancing customer relationships (Berry & Parasuraman, 1991).

Relationship Marketing is an integrated and coordinated effort to identify, maintain and build up a network with individual consumers.
and employees and continuously strengthen the network for mutual benefits of both sides through interactive, individualized and value added contacts continuously over a long period of time (Shani & Chalasani, 1992).

The purpose of relationship marketing is to identify and establish, maintain and enhance and when necessary terminate relationships with customers and other parties so that the objectives regarding economic and other variables of all parties are met and this is achieved through a mutual exchange and fulfillment of promises (Christian, 2001).

Here, the study focuses on relationship marketing in banking benefits customers as well as banks. Customers can reduce their time and search costs and avoid anxiety by selecting banking services from a bank. The banks can also save on the time and effort involved in attracting new customers. They can also benefit from the positive word of mouth publicity given by loyal customers. Some of the factors of relationship marketing are: Focus on customer service, Long term orientation, High commitment to customers, more customer interaction, commitment to quality. It is always said that it’s worth to retain a customer as they are the assets and the best and cost efficient promotional channel. Some of the retention strategies used by the customers are: offering financial incentives, forming social bonds, customization and social bonds, monitoring relationships, adding value to the services, increasing customer contact, enhancing customer service (Kotler, 2001).

Sometimes, despite the efforts made by the banks to offer service with zero defects, some errors creep in and the customer may experience problems. To deal with such situations, banks maintain a proper recovery system in place to identify and solve problems at the earliest and minimize the inconvenience caused to customers. The banks practicing relationship marketing give the utmost importance to two way communication to reap the desired benefits.

**LITERATURE REVIEW**

The survey of literature reveals some of the critical dimensions of Relationship Marketing in banking industry. We shall focus on a few vital facets. Thus, based on the variables extracted in the Literature, our study will be specifically dealing with retention strategies.

**Relationship Marketing-Concept**

Bhattacharya and Singh (2006) studied the Analytical CRM in Indian Retail Banking. The study (takes a look at the status of analytical Customer relationship management in major banks operating in India. The efforts of the banks have been analyzed in terms of a strategic framework and points out some of the deviations that have occurred in the implementation of the analytical Customer relationship management qualitative methodology as well as quantitative one in two stages. Informal interviews were held with key people in various banking companies. Their expectations and strategic objectives in the adoption of the CRM system were discussed. Also, literature about CRM capabilities was used. These led to identification of those variables which represented the major capabilities of analytical CRM systems in the banking sector. The major variables identified in stage 1 were used as items in a questionnaire and administered to key personnel in various companies. The research for stage 2 was diagnostic and descriptive in nature. The gaps between the desired levels of these variables in tune with the strategic support of analytical CRM to current business strategies and existing capabilities of the same were identified. The cities of Bangalore, Hyderabad and the National capital (India) region were included using a non-probabilistic convenience sampling was used for data collection. The research used self-structured questionnaires on a five point Likert’s scale. The findings of the study are that there is strong recognition of analytical CRM systems.
An Exploration of the Value of Online Social Networks for Salespeople
www.igi-global.com/article/exploration-value-online-social-networks/66424?camid=4v1a